

**City of Shreveport City Court
Shreveport, Louisiana
Financial Statements With Auditors' Report**

As of and For the Year Ended December 31, 2012

City of Shreveport City Court
Shreveport, Louisiana

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Independent Auditors' Report

City of Shreveport City Court
Shreveport, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Shreveport City Court, a component unit of the City of Shreveport, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Shreveport City Court's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Shreveport City Court as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

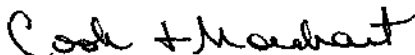
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages and 3 - 7 and on pages 22 - 24, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2013, on our consideration of City of Shreveport City Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Shreveport City Court's internal control over financial reporting and compliance.



Cook & Morehart
Certified Public Accountants
June 26, 2013

CITY OF SHREVEPORT CITY COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of City of Shreveport City Court's financial performance provides an overview of the City Court's financial activities for the fiscal year ended December 31, 2012. Please read it in conjunction with the City's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

The City Court's net position increased by \$236,694 or 5%.

The City Court's total program revenues were \$873,972 in 2012 compared to \$884,501 in 2011.

During the year ended December 31, 2012, the City Court had total expenses, excluding depreciation, of \$584,417, compared to \$715,005 in 2011.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 8 and 9) provide information about the activities of the City Court as a whole. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City Court's operations in more detail than the government-wide statements by providing information about the City Court's most significant funds. The remaining statements provide financial information about activities for which the City Court acts solely as a trustee or agent for the benefit of those outside of the City Court. The City Court judges are independently elected officials. However, the City Court is fiscally dependent on the City of Shreveport for office space, courtrooms, and related utility costs, as well as substantially all funding of salary and related employee benefit costs. Because the City Court is fiscally dependent on the City of Shreveport, the City Court was determined to be a component unit of the City of Shreveport. The accompanying financial statements present information only on the funds maintained by the City Court.

Reporting the Funds Maintained by the City Court as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the funds maintained by the City Court as a whole begins on page 8. One of the most important questions asked about the City Court's finances is "Is the City Court as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the funds maintained by the City Court as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City Court's *net position* and changes in them. You can think of the City Court's net position – the difference between assets and liabilities – as one way to measure the City Court's financial health, or *financial position*. Over time, *increases* or *decreases* in the City Court's net position are one indicator of whether its *financial health* is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, we record the funds maintained by the City Court as governmental activities:

Governmental activities – all of the expenses paid from the funds maintained by the City Court are reported here which consists primarily of certain materials and supplies, travel, repairs and maintenance and other program services. These represent expenses not paid out of the City of Shreveport's budget for judicial expenses. Fines, fees for services and interest income finance most of these activities.

Reporting the Most Significant Funds Maintained by the City Court

Our analysis of the major funds maintained by the City Court begins on page 10. The fund financial statements begin on page 10 and provide detailed information about the most significant funds maintained by the City Court – not the City Court as a whole. However, the City Court establishes other funds to help it control and manage money for particular purposes (like the probation fund) to show that it is meeting legal responsibilities for using certain fees. The City Court's *governmental funds* use the following accounting approaches.

Governmental funds – All of the City Court's expenses are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The *governmental fund statements* provide a detailed *short-term view* of the City Court's general government operations and the expenses paid from those funds. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain City Court expenses. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

The City Court as Trustee

The City Court is the trustee, or *fiduciary*, for its civil division, traffic violation bureau, and a portion of the small claims fund. All of the City Court's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 12. We exclude these activities from the City Court's other financial statements because the City Court cannot use these assets to finance its operations. The City Court is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE FUNDS MAINTAINED BY THE CITY COURT AS A WHOLE

The City Court's total net position changed from a year ago, increasing from \$5,659,806 to \$5,896,500. In comparison, last year net position increased \$99,267. Our analysis below will focus on key elements of the total governmental funds for the 2012 and 2011 years.

Table 1
Net Position

	Governmental Activities 2012	Governmental Activities 2011
Current assets	\$ 5,677,138	\$ 5,421,532
Capital assets	244,473	266,704
Total assets	<u>5,921,611</u>	<u>5,688,236</u>
Current liabilities	<u>25,111</u>	<u>28,430</u>
Net Position		
Investment in capital assets	244,473	266,704
Restricted	1,981,106	1,913,209
Unrestricted	<u>3,670,921</u>	<u>3,479,893</u>
Total net position	<u>\$ 5,896,500</u>	<u>\$ 5,659,806</u>

Net position of the funds maintained by the City Court's governmental activities increased by \$236,694 or 5%. Unrestricted net position, the part of net position that can be used to finance City Court expenses without constraints or other legal requirements increased by \$191,028 from \$3,479,893 at December 31, 2011 to \$3,670,921 at December 31, 2012.

Table 2
Change in Net Position

	Governmental Activities 2012	Governmental Activities 2011
Revenues		
Programs Revenues:		
Charges for Service, Fines and Fees	\$ 873,972	\$ 965,187
Miscellaneous Income	14,924	
Interest income	<u>10,385</u>	<u>10,567</u>
Total revenues	<u>899,281</u>	<u>975,754</u>
Expenses		
General governmental - judicial	<u>662,587</u>	<u>795,801</u>
Increase in net position	236,694	179,953
Net position - beginning of year	<u>5,659,806</u>	<u>5,479,853</u>
Net position - end of year	<u>\$ 5,896,500</u>	<u>\$ 5,659,806</u>

For the funds maintained by the City Court, total revenues decreased \$76,473, or 8%, from total revenues in 2011 of \$975,754 to total revenues of \$899,281 in 2012. For the funds maintained by the City Court, program revenues decreased \$91,215, or 10%, from program revenue in 2011 of \$965,187 to program revenue of \$873,972 in 2012. The main reason for the decrease in a reduction in fees received from traffic violation.

For the funds maintained by the City Court, total expenses decreased \$133,214, or 17%, from total expenses in 2011 of \$795,801 to total expenses of \$662,587 in 2012. The primary reason for the decrease is a reduction in legal and professional fees.

FUNDS MAINTAINED BY THE CITY COURT

For the funds maintained by the City Court, the governmental funds (as presented on pages 10–11) reported a combined fund balance of \$5,647,917 which is an increase of \$258,865 from last year.

Budgetary Highlights

The City Court adopted a budget for its General Fund and special revenue funds for the year ended December 31, 2012. There were three amendments to the budget during the year. The City Court's budgetary comparison is presented as required supplementary information and shown on pages 22 through 24. Highlights for the General Fund for the year are as follows:

- Revenues exceeded budget due to higher than expected collection of fees and fines.

CAPITAL ASSETS

At the end of 2012, the City Court had invested \$244,473 in capital assets from those funds maintained by the City Court. (see table 3 below)

Table 3
Capital Assets At Year End

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
Computer equipment	\$ 74,070	\$ 35,046
Office equipment	23,062	52,621
Office furniture and improvement	136,529	168,225
Vehicles	<u>10,812</u>	<u>10,812</u>
Total	<u><u>\$244,473</u></u>	<u><u>\$266,704</u></u>

This year's major additions included:

Computer equipment	\$ 42,266	\$ 1,250
Office equipment	<u>15,473</u>	<u>45,468</u>
Total	<u><u>\$ 57,739</u></u>	<u><u>\$ 46,718</u></u>

More detail information about the capital assets are presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City Court's elected judges and appointed officials considered many factors when setting a fiscal year 2013 budget. Amounts available for appropriation in the governmental funds are expected to remain substantially the same as the revenues available in 2012.

It is anticipated that the governmental funds' fund balance will increase modestly by the close of 2013. For those funds maintained by the City Court, the City Court will use those revenues for program costs which are not budgeted by the City of Shreveport for the City Court. The City Court has added no major new programs or initiatives to be funded in 2013.

CONTACTING THE CITY COURT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the City Court and to show the City Court's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Shreveport City Court, Clerk of Court, Judicial Administrators' office at 1244 Texas Avenue, Shreveport, Louisiana 71101.

City of Shreveport City Court
Shreveport, Louisiana
Statement of Net Position
December 31, 2012

	<u>Governmental Activities</u>
ASSETS	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 5,525,717
Investments	100,000
Accounts receivable	47,311
Prepaid expenses	4,110
Total current assets	<u>5,677,138</u>
Capital assets (net)	<u>244,473</u>
Total assets	<u>5,921,611</u>
 LIABILITIES	
Accounts payable	<u>25,111</u>
Total current liabilities	<u>25,111</u>
 NET POSITION	
<i>Investment in capital assets</i>	244,473
Restricted for:	
Probation	1,968,855
Pro Bono	12,251
Unrestricted	<u>3,670,921</u>
Total net position	<u>\$ 5,896,500</u>

See accompanying notes to the basic financial statements.

City of Shreveport City Court
Shreveport, Louisiana
Statement of Activities
For the Year Ended December 31, 2012

	<u>Functions / Programs</u>			
	<u>Total</u>	<u>Judicial</u>	<u>Probation</u>	<u>Pro Bono</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Expenses:				
Materials and supplies	\$ 52,696	\$ 41,722	\$ 10,974	\$
Travel	73,979	71,957	2,022	
Depreciation	78,170	66,509	11,661	
Other program services	457,742	338,033	119,709	
Total expenses	<u>662,587</u>	<u>518,221</u>	<u>144,366</u>	
Program revenues:				
Charges for services - fines and fees	<u>873,972</u>	<u>676,214</u>	<u>196,597</u>	<u>1,161</u>
Net program revenue (expenses)	<u>211,385</u>	<u>157,993</u>	<u>52,231</u>	<u>1,161</u>
General revenues:				
Interest income	10,385			
Miscellaneous	<u>14,924</u>			
Total general revenues	<u>25,309</u>			
Change in net position	236,694			
Net position - beginning, restated	<u>5,659,806</u>			
Net position - ending	<u>\$ 5,896,500</u>			

See accompanying notes to the basic financial statements.

City of Shreveport City Court
Shreveport, Louisiana
Balance Sheet
Governmental Funds
December 31, 2012

	Major Funds		Non-Major Fund	
	General	Other Governmental - Probation	Other Governmental - Pro Bono	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,553,463	\$ 1,960,003	\$ 12,251	\$ 5,525,717
Investments	100,000			100,000
Accounts receivable	32,509	14,802		47,311
Total assets	<u>\$ 3,685,972</u>	<u>\$ 1,974,805</u>	<u>\$ 12,251</u>	<u>\$ 5,673,028</u>
Liabilities				
Accounts payable	\$ 19,161	\$ 5,950	\$	\$ 25,111
Total liabilities	<u>19,161</u>	<u>5,950</u>		<u>25,111</u>
Fund balances				
Restricted				
Probation		1,968,855		1,968,855
Pro Bono			12,251	12,251
Unassigned	3,666,811			3,666,811
Total fund balances	<u>3,666,811</u>	<u>1,968,855</u>	<u>12,251</u>	<u>5,647,917</u>
Total liabilities and fund balances	<u>\$ 3,685,972</u>	<u>\$ 1,974,805</u>	<u>\$ 12,251</u>	

Amounts reported for governmental activities in the statement of net position are different because:

The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.

4,110

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

244,473

Net position of governmental activities

\$ 5,896,500

See accompanying notes to the basic financial statements.

City of Shreveport City Court
Shreveport, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	Major Funds		Non-Major Fund	
	General	Other Governmental - Probation	Other Governmental - Pro Bono	Total Governmental Funds
Revenues:				
Charges for services - fees and fines	\$ 676,214	\$ 196,597	\$ 1,161	\$ 873,972
Interest income	7,561	2,807	17	10,385
Miscellaneous income	14,904	20		14,924
Total revenues	<u>698,679</u>	<u>199,424</u>	<u>1,178</u>	<u>899,281</u>
Expenditures:				
Current:				
General government:				
Operating services	336,233	119,709		455,942
Materials and supplies	41,782	10,974		52,756
Travel and other charges	71,957	2,022		73,979
Capital outlay	57,739			57,739
Total expenditures	<u>507,711</u>	<u>132,705</u>		<u>640,416</u>
Excess of revenues over (under) expenditures	190,968	66,719	1,178	258,865
Fund balances at beginning of year, restated	<u>3,475,843</u>	<u>1,902,136</u>	<u>11,073</u>	<u>5,389,052</u>
Fund balances at end of year	<u>\$ 3,666,811</u>	<u>\$ 1,968,855</u>	<u>\$ 12,251</u>	<u>\$ 5,647,917</u>

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds \$ 258,865

The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.

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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$78,170) exceeded capital outlays (\$57,739) in the current period.

(20,431)

A loss on disposal of capital assets is recorded in the statement of activities, but is not recognized in the fund statements.

(1,800)

Change in net position of governmental activities

\$ 236,694

See accompanying notes to the basic financial statements.

City of Shreveport City Court
Shreveport, Louisiana
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2012

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 2,158,017
Investments	<u>352,326</u>
Total assets	<u><u>\$ 2,510,343</u></u>
Liabilities	
Unsettled deposits due to others	<u>\$ 2,510,343</u>
Total liabilities	<u><u>\$ 2,510,343</u></u>

See accompanying notes to the basic financial statements.

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2012

INTRODUCTION

The City of Shreveport City Court represents the court system for the City of Shreveport. It is governed by the four independently elected judges from the four divisions of the City of Shreveport. The City Court maintains certain funds comprised of fines and fees collected which are authorized by various state statutes.

(1) Summary of Significant Accounting Policies

The City of Shreveport City Court's financial statements are prepared in conformity with governmental accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999. The more significant accounting policies established in GAAP and used by the City Court are discussed below.

A. Reporting Entity

The City Court judges are independently elected officials. However, the City Court is fiscally dependent on the City of Shreveport for office space, courtrooms, related utility costs, insurance, and substantially all salary and related employee benefit costs. Because the City Court is fiscally dependent on the city, the City Court was determined to be a component unit of the City of Shreveport, the financial reporting entity.

The accompanying financial statements present information only on the funds maintained by the City Court and do not present information on the City of Shreveport, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basic Financial Statements – Government-Wide Statements

The City Court's basic financial statements include both government-wide (reporting the funds maintained by the City Court as a whole) and fund financial statements (reporting the City Court's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City Court's cost account, criminal account, probation account, and pro bono account are classified as governmental activities. The City Court does not have any business-type activities. The government-wide statements include all funds of the City Court except for fiduciary funds.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables. The City Court's net position is reported in three parts – invested in capital assets, restricted, and unrestricted.

The government-wide Statement of Activities reports both the gross and net cost of each of the City Court's functions. The functions are also supported by general government revenues (interest income). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which must be directly associated with the function. Program revenues included in the Statement of Activities are derived directly from Court users as a fee

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

for services. The net costs (by function) are normally covered by general revenue (interest and miscellaneous income and miscellaneous revenues). This government-wide focus is more on the sustainability of the City Court as an entity and the change in the City Court's net assets resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City Court are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City Court:

1. Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City Court:
 - a. General funds are the general operating funds of the City Court. They are used to account for all financial resources except those required to be accounted for in another fund. Included in the City Court's general funds are the Cost Account and Criminal fund.
 - b. The special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds of the City Court are the Probation fund and Pro Bono fund.
2. Fiduciary funds – Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City Court programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City Court's general funds (cost and criminal funds) and the Probation fund are reported as major funds in the fund financial statements. The probation fund is used to account for funds collected from defendant's to defray the costs of operation of the court.

The City Court's fiduciary funds are presented in the fiduciary fund financial statements by type. The only fiduciary funds of the City Court are agency funds, consisting of the Civil Division fund, Traffic Violations Bureau fund, and the Small Claims fund. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The governmental funds in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues of the City Court consist principally of interest income and fines and fees for services relating to court filings. Interest income is recorded when earned. Fines and fees for services are recorded when received in cash because they are generally not measurable until actually received.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Depreciation is not recognized in the governmental fund financial statements.

E. Cash, Cash Equivalents, and Investments

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits with original maturities of ninety (90) days or less when purchased. Under state law, the City Court may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments are limited by R.S. 33:2955 and the City's investment policy. If the original maturities of investments exceed ninety (90) days, they are classified as investments; however, if the original maturities are ninety (90) days or less, they are classified as cash equivalents.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

F. Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Computer equipment	5 years
Office equipment	5-15 years
Office furniture and improvements	7-20 years

G. Net Position

Government-wide net position is divided into three components: Net investment in capital assets consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets. Restricted net position consists of assets that are restricted by the Court's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (less related liabilities and deferred inflows of resources). All other net position is reported as unrestricted net position. When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Court's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

H. Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

1. *Nonspendable* - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.
2. *Restricted* - amounts that can be spent only for specific purposes due to constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. *Committed* - amounts that can be used only for the specific purposes as a result of constraints imposed by the City Court judges (the City Court's highest level of decision making authority). Committed amounts cannot be used for any other purpose unless the judges remove those constraints by taking the same type of action (i.e. legislation, resolution, ordinance).
4. *Assigned* - amounts that are constrained by the Court's intent to be used for specific purposes, but are neither restricted nor committed.
5. *Unassigned* - all amounts not included in other spendable classifications

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

The Court's policy is to apply expenditures against restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

The calculation of fund balance amounts begins with the determination of nonspendable fund balances. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purpose amounts exceeds the positive fund balance for the non-general fund.

I. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

(2) New Accounting Standards

Effective January 1, 2012, the City Court implemented the following GASB statement: GASB Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."* This Statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position.

(3) Budgets

The City Court uses the following budget practices:

1. The Judicial Administrator prepares an operating budget for the general funds and each special revenue fund.
2. The budget is available for public inspection prior to adoption.
3. The budget is adopted by the four independently elected judges.
4. The budget may be revised during the year.
5. Appropriations lapse at the end of each fiscal year.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

(4) Cash, Cash Equivalents, and Investments

At December 31, 2012, the City Court has cash, cash equivalents, and investments (book balances) totaling \$8,136,060 as detailed below.

A. Cash and Cash Equivalents

Petty cash	\$ 51
Demand deposits	7,601,113
Certificates of deposits	<u>82,570</u>
	<u>\$ 7,683,734</u>

Reconciliation to government-wide Statement of Net Assets:

Cash and cash equivalents	\$ 5,525,717
Agency funds (not on government-wide statements)	<u>2,158,017</u>
	<u>\$ 7,683,734</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent bank.

B. Investments

At December 31, 2012, the City had investments totaling \$452,326 as follows:

Certificates of Deposit	<u>\$ 452,326</u>
-------------------------	-------------------

Reconciliation to government-wide Statement of Net Assets:

Certificates of Deposits	\$ 100,000
Agency funds (not on government-wide statements)	<u>352,326</u>
	<u>\$ 452,326</u>

The certificates of deposit have initial maturities greater than 90 days and are carried at cost, which approximates market.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

C. Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City Court does not have a deposit policy for custodial credit risk. As of December 31, 2012, \$7,146,337 of the government's bank balance of \$8,078,907 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the City Court's name	<u>\$ 7,146,337</u>
--	---------------------

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the clerk that the fiscal agent has failed to pay deposited funds upon demand.

(5) Leases

The City Court leases certain equipment under operating leases. Rental costs on those leases for the year ended December 31, 2012, were \$19,973.

Commitments under lease agreements having initial remaining terms in excess of one year are as follows:

For the Year Ending December 31,	
2013	\$ 22,194
2014	21,399
2015	21,399
2016	10,167
2017	<u>10,167</u>
Total minimum future rentals	<u>\$ 85,326</u>

(6) Changes in Agency Fund Balances

A summary of changes in agency funds follows:

	Balance at Jan. 1, 2012	Additions	Reductions	Balance at Dec. 31, 2012
Civil Division	\$ 1,721,326	\$ 1,141,003	\$ (1,064,088)	\$ 1,798,241
Violations Bureau	201,009	2,509,904	(2,532,346)	178,567
Small Claims	518,618	252,770	(237,853)	533,535
	<u>\$ 2,440,953</u>	<u>\$ 3,903,677</u>	<u>\$ (3,834,287)</u>	<u>\$ 2,510,343</u>

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

(7) Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance Jan. 1, 2012	Additions	Deletions	Balance at Dec. 31, 2012
Governmental Activities:				
Computer equipment	\$ 211,892	\$ 42,266	\$ (2,657)	251,501
Office equipment	199,341	15,473	(18,000)	196,814
Office furniture and improvements	597,833			597,833
Vehicles	38,160			38,160
Total at historical cost	<u>1,047,226</u>	<u>57,739</u>	<u>(20,657)</u>	<u>1,084,308</u>
Less accumulated depreciation				
Computer equipment	(176,846)	(19,442)	18,857	(177,431)
Office equipment	(146,720)	(27,032)		(173,752)
Office furniture and improvements	(429,608)	(31,696)		(461,304)
Vehicles	(27,348)			(27,348)
Total accumulated depreciation	<u>(780,522)</u>	<u>(78,170)</u>	<u>18,857</u>	<u>(839,835)</u>
Governmental activities capital assets, net	<u>1,827,748</u>	<u>(20,431)</u>	<u>(1,800)</u>	<u>244,473</u>

Depreciation expense was charged to Governmental Activities as follows:

Judicial expenses	\$ 66,509
Probation	11,661
	<u>\$ 78,170</u>

(8) Risk Management

The City of Shreveport purchases commercial insurance to provide workers compensation and general liability and property insurance for the City Court. There were no significant reductions in insurance coverage from the previous year.

(9) Expenditures of the City Court Paid by the City of Shreveport

The City of Shreveport provides office space, courtrooms, related utility costs, insurance, and substantially all salary and related employee benefit costs. No amounts have been recognized in the accompanying financial statements for expenditures paid by the City of Shreveport.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

(10) Restatement of Net Position and Fund Balance

Net position on the Statement of Activities and the beginning fund balance of the General Fund have been restated for the following:

	<u>Governmental Activities</u>	<u>General Fund</u>
Net position / fund balance, <i>beginning of year, as previously stated</i>	\$ 5,579,120	\$ 3,395,157
Receipt of bond forfeiture funds for 2011, received in 2012	<u>80,686</u>	<u>80,686</u>
Net position / fund balance, beginning of year, restated	<u><u>\$ 5,659,806</u></u>	<u><u>\$ 3,475,843</u></u>

(11) Subsequent Events

Subsequent events have been evaluated through June 26, 2013, the date the financial statements were available to be issued.

City of Shreveport City Court
Shreveport, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance-
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
Revenues:				
Charges for services -				
fees and fines	\$ 705,000	\$ 742,000	\$ 758,080	\$ 16,080
Interest income	8,700	6,900	7,561	661
Miscellaneous income	6,000	14,000	17,900	3,900
Total revenues	<u>719,700</u>	<u>762,900</u>	<u>783,541</u>	<u>20,641</u>
Expenditures:				
Current:				
General government:				
Operating services	251,100	345,846	346,711	(865)
Materials and supplies	50,000	40,000	39,050	950
Travel and other charges	50,000	66,000	73,979	(7,979)
Capital outlay		57,000	57,739	(739)
	<u>351,100</u>	<u>508,846</u>	<u>517,479</u>	<u>(8,633)</u>
Excess of revenues over expenditures	368,600	254,054	266,062	12,008
Fund balances at beginning of year	<u>2,689,245</u>	<u>2,689,245</u>	<u>3,372,691</u>	<u>3,372,691</u>
Fund balances at end of year	<u>\$ 3,057,845</u>	<u>\$ 2,943,299</u>	<u>\$ 3,638,753</u>	<u>\$ 3,384,699</u>

City of Shreveport City Court
Shreveport, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
Probation Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance- Favorable
	Original	Final	(Budgetary Basis)	(Unfavorable)
Revenues:				
Charges for services - fees and fines	\$ 160,000	\$ 190,000	\$ 198,214	\$ 8,214
Miscellaneous		20	20	
Interest income	2,200	2,800	2,807	7
Total revenues	<u>162,200</u>	<u>192,820</u>	<u>201,041</u>	<u>8,221</u>
Expenditures:				
Current:				
General government:				
Operating services	8,800	120,545	115,759	4,786
Materials and supplies	8,500	11,760	11,706	54
Travel and other charges	500	1,300	1,290	10
Total expenditures	<u>17,800</u>	<u>133,605</u>	<u>128,755</u>	<u>4,850</u>
Excess of revenues over expenditures	144,400	59,215	72,286	13,071
Fund balances at beginning of year	<u>1,887,717</u>	<u>1,887,717</u>	<u>1,887,717</u>	<u>1,887,717</u>
Fund balances at end of year	<u>\$ 2,032,117</u>	<u>\$ 1,946,932</u>	<u>\$ 1,960,003</u>	<u>\$ 1,900,788</u>

City of Shreveport City Court
Shreveport, Louisiana
Notes to Required Supplementary Information
December 31, 2012

The City Court's budget is adopted on the cash basis for all funds. There were three amendments to the 2012 budget. Budget comparison statements included in the accompanying financial statements include the original and final amended budgets. The schedule below reconciles excess (deficiency) of revenues and other sources over expenditures and other uses on the budget basis with GAAP basis:

	<u>General Fund</u>	<u>Probation Fund</u>
Excess of revenues and other sources over expenditures and other uses (budget basis)	\$ 266,062	\$ 72,286
Adjustments:		
Revenue accruals - net	(84,862)	(1,617)
Expenditure accruals - net	<u>9,768</u>	<u>(3,950)</u>
Excess of revenues and other sources over expenditures and other uses (GAAP basis)	<u>\$ 190,968</u>	<u>\$ 66,719</u>

COOK & MOREHART

Certified Public Accountants

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**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards**

Independent Auditors' Report

City of Shreveport City Court
Shreveport, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Shreveport City Court as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Shreveport City Court's basic financial statements, and have issued our report thereon dated June 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Shreveport City Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Shreveport City Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Shreveport City Court's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying corrective action plan for current year audit findings as item 2012-1 that we consider to be a significant deficiency.

Compliance and Other Matters

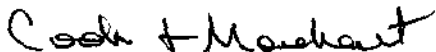
As part of obtaining reasonable assurance about whether City of Shreveport City Court's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Shreveport City Court's Response to Finding

City of Shreveport City Court's response to the finding identified in our audit is described in the accompanying Corrective Action Plan for Current Year Audit Findings. City of Shreveport City Court's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cook & Morehart
Certified Public Accountants
June 26, 2013

City of Shreveport City Court
Shreveport, Louisiana
Schedule for Louisiana Legislative Auditor
December 31, 2012

Summary Schedule of Prior Audit Findings

There were two findings in the prior audit for the year ended December 31, 2011, as follows:

Reference No.: 2011-1

**Description of Significant
Deficiency:**

Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. As part of the audit, *management requested us to prepare a draft of your financial statements, including the related notes to financial statements.* This condition is intentional by management based upon the agency's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. *Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance.*

Recommendation:

Whether or not it would be cost effective to cure a control deficiency is not a factor in applying Statement on Auditing Standards (SAS) 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Current Status:

See repeat comment in current year audit.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Schedule for Louisiana Legislative Auditor
December 31, 2012
(Continued)

Reference No.: 2011-2

Criteria: The City Court should have a system in place to properly account for amounts received and disbursed in the Civil and Small Claims agency funds.

Condition: The City Court maintains a computerized system for tracking amounts received and disbursed for the Civil and Small Claims agency funds. However, this system is not being reconciled to the agency's general ledgers.

Cause: The computerized system which the City Court utilizes is not currently generating reports which allow for the reconciliation of the Civil and Small Claims agency funds to the general ledger in an efficient manner.

Effect: Failure to reconcile the suit ledgers to the general ledger increases the risk that errors and / or irregularities may occur and not be detected.

Recommendation: We recommend that the existing computer system generate reports which will allow for an efficient reconciliation of the suit ledgers to the general ledger on a timely basis.

Current Status: Improvement noted. No finding noted in current year audit.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Schedule For Louisiana Legislative Auditor
December 31, 2012
(Continued)

Corrective Action Plan For Current Year Audit Findings

There is one finding in the current year audit for the year ended December 31, 2012, as follows:

Reference No.: 2012-1

**Description of Significant
Deficiency:**

Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to financial statements. This condition is intentional by management based upon the agency's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance.

Recommendation:

Whether or not it would be cost effective to cure a control deficiency is not a factor in applying Statement on Auditing Standards (SAS) 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Corrective Action Planned:

The Court agrees that curing the deficiency of not having internal controls over the preparation of year-end entries and financial statements may not be cost effective or practical for the court.

Name of Contact Person: Robert Shemwell

Anticipated Completion Date: September 30, 2013